

be carried on, and usually are carried on, by other means than bank-notes. It succeeded in checking the expansion only when other forms of credit had been swept away by distrust and expansion of note issues to fill their place was absolutely needed to prevent overwhelming commercial disaster. It did not prevent expansion, in simple terms, when expansion might do harm ; it prevented it absolutely when it might have done good.

It was the theory of the supporters of the act, that the currency would fluctuate in exact accordance with the fluctuations of a metallic currency by the self-acting provision for the issue of notes only in exchange for gold and the issue of gold in exchange for notes. Both sides in the discussion of the bill, when it was pending in Parliament, seem to have made the incredible blunder of overlooking the fact that gold could be obtained by the presentation of checks. This was exactly what happened in 1847 and the effect upon the outstanding note issues and the bullion in the bank at different dates during the April pressure is indicated in the following table:

	NOTES HELD BY THE PUBLIC.	NOTES IN THE BANKING RESERVE.	BULLION IN THE BANK.
Aug. 29, 1846	20,426,000	9,450,00	16,366,00
Dec. 19, 1846	19,549,000	0	0
Jan. 9, 1847	20,837,000	8,864,000	15,163,000
Feb. 20, 1847	19,482,000	6,715,000	14,308,000
Mar. 20, 1847	19,069,000	5,917,000	12,215,000
Apr. 10, 1847	20,243,000	5,419,000	11,232,000
		2,558,000	9,867,000

The bank, therefore, saw its bullion decreasing on the one hand and its banking reserve decreasing on the other hand, while gold and notes poured out of the banking department in the discharge of its obligations. The banking reserve was chiefly in notes which had been obtained by the surrender to the issue department of such gold as was received on deposit, but the payment of these notes to customers either swelled the note circulation or reduced the gold in the bank, by just the amount of the payment. The effect, as Mr. John Stuart Mill pointed out in his testimony before